

Health Savings Accounts

The Problem

Fast-rising health care costs are a growing burden not only for individuals, families and employers, but also for state government. These costs are consuming more of our available state revenue and putting greater pressure on state operating budgets.

State employees currently pay 12 percent of the premium cost of their health care insurance. The state pays 88 percent. Keeping up with this obligation added \$335 million to the state's 2005-07 operating budget.

The Solution

In 2003, Congress authorized Health Savings Accounts (HSAs) as part of the Medicare Modernization Act. HSAs are tax-free accounts that can be set up by individuals or employers. They are personal accounts owned by individuals, even when employers establish and contribute to them. These accounts are coupled with catastrophic health care insurance policies, some of which cover preventative care. Deductibles can be paid from the HSA and any remaining money at the end of a year can be rolled over to the next year.

The idea behind HSAs is to stop reliance on "first dollar coverage," in which health care consumers aren't seeing the whole picture or the total cost of health care. HSAs are consumer-driven, creating an incentive for people to weigh costs when making health-care decisions.

HSAs help cut costs for employers and employees alike. Making HSAs an option for public employees will provide state employees with an important health care option (already available to federal and private sector employees) and take some pressure off the state budget.

Background

Senate Republicans introduced legislation in 2005 to establish Health Savings Accounts for state employees. This would have reduced the increasing burden on Washington's taxpayers – most of whom work in the private sector and pay a great deal more of their premiums, if they have insurance at all.

Senate Bill 5202: This measure, as introduced, required the Public Employees' Benefits Board to develop a Health Savings Account option for state employees. As amended in committee, the PEBB was directed to "study" the health savings account option and report back to the Legislature by December 1, 2005. SB 5202 was amended in the House and subsequently died when the Senate refused to concur with the House amendments. However, the governor directed the state Health Care Authority to do a study within its existing budget on HSAs for state employees. That study is slated to be finished in December 2005.